



## **Report to Portchester Crematorium Joint Committee**

*Date:* 17<sup>th</sup> June 2013

*Report of:* Treasurer to the Joint Committee

*Subject:* Internal Audit Plan 2013/14 to 2017/18

### **SUMMARY**

This report brings a 5 year plan of internal audit work for approval by the Joint Committee along with proposals of how this work will be resourced and costed.

### **RECOMMENDATIONS**

- (a) That the plan of internal audit work in [Appendix 1](#) is approved.
- (b) That the Treasurer to the Joint Committee be given delegated authority to make minor changes to the coverage within the number of audit days agreed.

## INTRODUCTION

1. In accordance with the 'Financial Responsibilities' for the Portchester Crematorium Partnership documented in 2006, Fareham Borough Council is responsible for dealing with the financial administration related to the activities of the Joint Committee. This includes provision of internal audit services.
2. Up until 2010/11 this responsibility was discharged by the Fareham Borough Council internal audit service by carrying out a short two yearly review of key operational processes at the Crematorium.
3. Since 2010/11 the Joint Committee has been deemed to fall within the Audit Commission's limited assurance audit approach as gross annual income and expenditure are less than £6.5 million, and so it produces an Annual Return in compliance with the format prescribed by the Accounts and Audit (England) Regulations 2011.
4. Under this approach there is reduced external audit coverage, but greater reliance is given to internal audit work such that the Annual Return includes as standard an Annual Internal Audit Report. This report requires assurance on a wider set of controls than just the operation of the Crematorium.
5. Since 2005 there has also been expectation that internal audit strategic plans include some coverage of risks to a Council in respect of any partnership arrangements, particularly in relation to corporate governance.
6. This report therefore seeks to obtain agreement of the approach to be adopted for internal audit coverage over the next 5 years in accordance with the needs of the Joint Committee.

## CONTENT OF THE AUDIT PLAN

7. The nature of internal audit work now relevant to the Portchester Crematorium Partnership can be defined as consisting of the following 3 types:

Type of Coverage	Meaning
Certification work	Testing needed to give an audit report to accompany the annual accounts under the small bodies accounting regime.
Other operational controls	Other testing of operational systems of control specific to the Crematorium.
Governance controls	Partnership governance work in relation to the operation of the Portchester Crematorium Joint Committee.

8. The systems of control making up each type of work and the proposed coverage over the next 5 years is given in [Appendix 1](#) and discussed further below.
9. Generally audit findings in the past have found the control environment for the Crematorium Partnership to be strong and the proposed plan reflects this. Should any audit findings give rise to change this assessment then additional coverage may be needed, in agreement with the Joint Committee.

10. **Certification work:** Internal audit work has been carried out in the last 3 years to ensure that all areas of the Annual report have received appropriate coverage in order for an opinion to be given and the system to be assigned a risk category based on factors such as the inherent risk, the quantity of transactions involved and previous audit coverage and findings.
11. It is therefore proposed that a cyclical approach to re-testing these areas is adopted; the frequency of testing being based on the risk category assigned with reliance being placed on prior testing in the intervening years. However, a small amount of annual testing will be maintained of the 2 higher risk areas of income and expenditure transactions.
12. **Other operational controls:** These systems of control are more specific to the delivery of the Crematorium service itself, and were traditionally what the audit service has focused on. It is proposed that these are also covered on a 3-5 year cyclical basis with any assurance being included in the annual report as 'other risk areas identified by the Council'.
13. Any outstanding recommendations would also be followed up every 2 years and included in the end of audit report as a source of assurance for the Annual Governance Statement that year.
14. **Governance controls:** This work provides assurance to the 4 constituent authorities rather than the Joint Committee on the adequacy of the governance systems of control in place for the partnership. The Hampshire Audit Managers have been working together to try and avoid duplication of any partnership governance work and so it is proposed that this work is done on behalf of the 4 councils as part of this proposed plan. Some of these systems have been audited before so only a light coverage is proposed over the next 5 years.
15. It is also proposed that there will be no specific coverage of some systems that fall under this category: namely Human Resources Management, Health and Safety, Counter Fraud and Legal and Regularity Compliance. Instead reliance will be placed on audit coverage at the constituent authority which takes responsibility for this for the partnership.

## **RESOURCING AND COST**

16. The plan will be delivered by the Fareham Borough Council Internal Audit Service which may involve use of the Council's internal audit contractor (currently Deloitte) or the in-house team. Where appropriate specialist auditors may also be assigned to the work.
17. Annual Certification and Operational Controls work will be recharged directly as an operating cost to the Crematorium. It is also proposed that the Governance control work will be recharged to the Joint Committee for administrative ease thus avoiding billing each of the 4 constituent authorities who are the beneficiaries of the partnership assurances this work will provide.

18. The charge will be based on the number of days set in the plan and charged at a daily rate as set by the FBC Audit Contractors for that year, which will have been subject to a competitive tendering process.

### **CONSULTATION**

19. The Audit Managers at the four constituent authorities have been consulted in relation to setting this plan. They will be provided with a copy of each of the end of audit reports produced.

### **Appendices**

Appendix 1 – Proposed Five year plan of Internal Audit Coverage 2013/14 to 2017/18

### **Background Papers - None**

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## Five year plan of Internal Audit Coverage 2013/14 to 2017/18

System of Control	Risk Cat.	Freq	Last Audited	Planned Number of Audit days				
				2013/14	2014/15	2015/16	2016/17	2017/18
<b>CERTIFICATION WORK</b>								
A. Book Keeping	Low	5 years	2012/13					0.5
B. Expenditure	High	Annual	2012/13	1	0.5	1	1	1
C. Risk Management	Low	5 years	2007/08	0.5				
D. Financial Management	Medium	3 years	2012/13			0.5		
E. Income	High	Annual	2011/12	2	0.5	1	1	1
F. Petty Cash	Low	5 years	2011/12				0.5	
G. Payroll	Medium	3 years	2011/12	1			1	
H. Assets	Low	5 years	2012/13					1
I. Banking	Low	5 years	2012/13					0.5
J. Year End Procedures	Low	5 years	2012/13					0.5
<b>OTHER OPERATIONAL CONTROLS</b>								
K. Maintenance of Registers	Medium	3 years	1999/00	0.5			0.5	
L. Organists	Medium	3 years	2011/12	0.25			0.25	
M. Medical referees	Medium	3 years	2011/12	0.25			0.25	
N. Garden Improvement Fund	Low	5 years	2009/10	0.25				
O. ICT Controls	Medium	3 years	2005/06	0.5			0.5	
P. Other	Low	5 years	2005/06	0.25				
RECOMMENDATION FOLLOW UP		2 years	2011/12	0.5		0.5		0.5
<b>GOVERNANCE CONTROLS</b>								
Q. Partnership Arrangements	Low	5 years	2009/10		0.5			
R. Roles, Responsibilities & Accountabilities	Medium	3 years	2009/10		0.5			0.5
S. Corporate Governance Framework	Low	5 years	2007/08		0.5			
T. Performance Management	Low	5 years	2011/12				0.5	
U. Human Resources Management	Low	Rely on PCC audit team	2009/10					
V. Health and Safety	Low	Rely on GCC audit team	No audit					
W. Sustainability	Low	Part rely on GCC audit team	1999/00					
X. Counter Fraud	Low	Rely on FBC audit team	No audit					
Y. Business Continuity	Medium	3 years	2012/13 part		0.5			0.5
Z. Legal and Regulatory Compliance	Low	Reliance on coverage in other areas	No audit					
AA. Treasury Management	Low	5 years	No audit		0.5			
<b>TOTAL AUDIT DAYS</b>				<b>7.0</b>	<b>3.5</b>	<b>3.0</b>	<b>5.5</b>	<b>6.0</b>